SENATE BILL No. 410

DIGEST OF INTRODUCED BILL

Citations Affected: IC 8-1-8.9.

Synopsis: Conservation and load management programs. Provides financial incentives for an electric utility's: (1) investments in advanced metering infrastructure (AMI); and (2) implementation of conservation and load management programs. Requires the utility regulatory commission to: (1) create specified financial incentives for investments in AMI and conservation and load management programs; and (2) review applications by electric utilities for the incentives created.

Effective: July 1, 2007.

Hershman

January 11, 2007, read first time and referred to Committee on Utilities & Regulatory Affairs.

Introduced

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

SENATE BILL No. 410

A BILL FOR AN ACT to amend the Indiana Code concerning utilities and transportation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 8-1-8.9 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]:

Chapter 8.9. Advanced Metering Infrastructure and Conservation and Load Management Programs for Electric Utilities

Sec. 1. (a) The general assembly makes the following findings:

(1) Growth of Indiana's population and economic base has created a need for additional sources of reliable electric energy in Indiana.

(2) In addition to the construction of new energy generating facilities, the development and implementation of cost effective conservation and load management programs is needed if Indiana is to continue to provide reliable electric utility service at reasonable prices.

(3) Technological advances, such as advanced metering infrastructure, make the deployment of conservation and load

management programs increasingly more cost effective and economically feasible.

(4) Investments in advanced metering infrastructure will:

(A) improve the reliability of electric utilities' distribution systems; and

(B) provide increased capacity to meet Indiana's growing demand for electricity.

(5) Economic barriers exist to the increased development and implementation of conservation and load management programs by electric utilities.

(6) The Energy Policy Act of 2005 (Public Law 109-58, 119 Stat. 594) requires state regulatory authorities to consider and determine whether it is appropriate to implement:

(A) time based rate schedules for electric utilities; and

(B) the advanced metering and communications technology needed to support time based rate schedules.

(7) It is in the public interest for the state to encourage the increased development and implementation of cost effective conservation and load management programs by:

(A) removing economic barriers to the development and implementation of conservation and load management programs; and

(B) providing financial incentives to electric utilities to develop and implement conservation and load management programs.

(b) The purpose of this chapter is to:

(1) enhance:

(A) the security and reliability of Indiana's electric distribution systems; and

(B) the competitiveness of Indiana's economy; and

(2) complement the state's efforts to encourage the construction of new energy generating facilities;

through the promotion and increased use of cost effective conservation and load management programs.

Sec. 2. (a) As used in this chapter, "advanced metering infrastructure" or "AMI" means communications systems needed to support advanced metering functions for an electric utility's distribution system, including the following advanced functions:

(1) Demand response and load control.

(2) Automatic meter reading.

(3) The connection and disconnection of a customer's premises to the grid.

(4) The reporting of outages and the identification of outage locations.

(b) The term includes:

(1) equipment installed on a customer's premises, including the meter itself; and

(2) all central office applications;

necessary to support the advanced metering functions.

Sec. 3. (a) As used in this chapter, "AMI costs" means the capital, operating, and maintenance costs incurred by an electric utility in developing and implementing AMI for its electric distribution system.

(b) The term includes the following costs associated with an electric utility's AMI:

(1) Research and development costs.

(2) Administrative costs.

(3) Labor costs, including costs for services of contractors and subcontractors.

(4) Equipment and depreciation costs.

(5) Tax costs.

(6) Financing costs.

(7) Financial incentives offered by the electric utility in connection with its AMI investment.

Sec. 4. As used in this chapter, "conservation and load management program" means a program that:

(1) is sponsored by an electric utility;

(2) is designed to:

(A) reduce the amount of electricity consumed by the electric utility's customers; or

(B) otherwise influence customers' timing or use of electricity to reduce the demand placed on the electric utility's distribution system; and

(3) employs any of the following to achieve the reduction or change in customers' electricity use described in subdivision (2):

(A) End use devices or other equipment.

(B) Special rates or rate structures.

(C) Customer incentives.

(D) Customer education initiatives.

(E) Other technologies or services.

Sec. 5. (a) As used in this chapter, "conservation and load management costs" means the capital, operating, and maintenance costs incurred by an electric utility in developing and implementing

a conservation and load management program.

(b) The term includes the following costs associated with an electric utility's conservation and load management program:

(1) Research and development costs.

(2) Administrative costs.

(3) Labor costs, including costs for services of contractors and subcontractors.

(4) Equipment and depreciation costs.

(5) Tax costs.

(6) Financing costs.

(7) Financial incentives paid to participating customers.

(8) Marketing and advertising costs.

(9) Monitoring and evaluation costs.

(10) Financial incentives offered by the electric utility for:

(A) investment in; or

(B) performance associated with;

its conservation and load management program.

Sec. 6. As used in this chapter, "electric utility" means an electric generating utility allowed by law to earn a return on its investment.

Sec. 7. As used in this chapter, "lost revenues" refers to revenues lost by an electric utility as a result of not generating electricity because of the implementation of a conservation and load management program. In determining the revenues lost as a result of a conservation and load management program, an electric utility shall subtract the value of any reduced operating or maintenance costs resulting from the program, including fuel cost savings.

Sec. 8. As used in this chapter, "performance based shared savings incentive" means an incentive mechanism designed to allocate the net system benefits of an electric utility's conservation and load management programs between:

(1) the electric utility's shareholders; and

(2) the electric utility's retail customers.

Sec. 9. (a) The commission shall encourage electric utilities to invest in AMI by creating the following financial incentives for investments in AMI, if the investments are found by the commission to be reasonable and necessary:

(1) The timely recovery of AMI costs over a reasonable amortization period, as determined by the commission.

(2) The timely recovery of costs for equipment rendered obsolete by an electric utility's implementation of AMI, based

on the remaining depreciable life of the obsolete equipment.

(3) The authorization of a timely return equal to the electric utility's weighted cost of capital (as determined under 170 IAC 4-6-14) with respect to the electric utility's capital investment in AMI.

(4) Other financial incentives the commission considers appropriate.

(b) An electric utility that seeks one (1) or more of the incentives described in subsection (a) must file, on a form approved by the commission, an application with the commission for approval of the incentives sought.

(c) The commission shall, after notice and hearing, issue a determination on the eligibility of the electric utility's AMI investment for the financial incentives described in subsection (a) not later than one hundred twenty (120) days after the date of the electric utility's application under subsection (b).

Sec. 10. (a) The commission shall encourage electric utilities to implement conservation and load management programs by creating the following incentives for the implementation of conservation and load management programs, if the programs are found by the commission to be reasonable and necessary:

(1) The timely recovery of conservation and load management costs over a reasonable amortization period, as determined by the commission.

(2) The timely recovery of lost revenues, or the authorization of other mechanisms to remove lost revenues as a barrier to the implementation of conservation and load management programs.

(3) The authorization of a return to the electric utility in the form of:

(A) a timely return equal to the electric utility's weighted cost of capital (as determined under 170 IAC 4-6-14) with respect to the electric utility's total unrecovered capital investment in conservation and load management programs; or

(B) a performance based shared savings incentive.

(4) Other financial incentives the commission considers appropriate.

(b) An electric utility that seeks one (1) or more of the incentives described in subsection (a) must file, on a form approved by the commission, an application with the commission for approval of the incentives sought.

(c) The commission shall, after notice and hearing, issue a determination on the eligibility of the electric utility's conservation and load management program for the financial incentives described in subsection (a) not later than one hundred twenty (120) days after the date of the electric utility's application under subsection (b).